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FOREST HISTORY SOCIETY, INC.

Financial Statements

June 30, 2021 and 2020

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To the Board of Directors
Forest History Society, Inc.
Durham, North Carolina

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Forest History Society, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Forest History Society, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Forest History Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forest History Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Forest History Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forest History Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
September 28, 2021

FOREST HISTORY SOCIETY, INC.
Statements of Financial Position
June 30, 2021 and 2020

ASSETS		2021	2020
CURRENT ASSETS:			
Cash	\$	612,382	\$ 706,301
Accounts Receivable		55,460	8,816
Pledges Receivable		230,454	262,978
Inventory		22,055	15,935
Prepaid Expense and Deposits		40,973	42,409
Total Current Assets		961,324	1,036,439
LAND, BUILDING AND EQUIPMENT, Net of Depreciation		6,046,022	6,196,625
OTHER ASSETS:			
Investments		9,371,859	7,838,133
Pledges Receivable, Due after One Year		3,235	114,552
Total Other Assets		9,375,094	7,952,685
Total Assets	\$	16,382,440	\$ 15,185,749
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$	40,759	\$ 121,772
Accrued Expenses and Withholding		54,540	50,179
Deferred Revenue			19,247
SBA Loans			23,971
Total Current Liabilities		95,299	215,169
LONG-TERM DEBT		211,974	444,475
Total Liabilities		307,273	659,644
NET ASSETS:			
Without Donor Restrictions:			
Undesignated		360,136	204,581
Designated--Operations		241,738	218,771
Endowment Earnings (Losses)		121,345	(57,008)
Land, Building, and Equipment		6,105,533	6,248,469
Total Without Donor Restrictions		6,828,752	6,614,813
With Donor Restrictions:			
Operations		140,145	162,425
Endowment Earnings		2,631,232	1,273,829
Endowment		6,475,038	6,475,038
Total With Donor Restrictions		9,246,415	7,911,292
Total Net Assets		16,075,167	14,526,105
Total Liabilities and Net Assets	\$	16,382,440	\$ 15,185,749

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF ACTIVITIES

FOREST HISTORY SOCIETY, INC.
 Statements of Activities
 For the Years Ended June 30, 2021 and 2020

	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND INVESTMENT INCOME:			
Support and Revenue:			
Memberships, Contributions, and Grants	\$ 684,956	\$ 10,000	\$ 694,956
Program Income	3,595		3,595
Book Sales	1,923		1,923
Royalties	1,719		1,719
Facility Rental			
PPP Loan Forgiveness	24,922		24,922
Gain on Disposal of Fixed Assets	20,000		20,000
Total Support and Revenue	<u>737,115</u>	<u>10,000</u>	<u>747,115</u>
Investment Income:			
Dividend and Interest Income	16,192	89,080	105,272
Net Realized Gain	47,189	359,056	406,245
Net Unrealized Gain (Loss)	167,756	1,296,161	1,463,917
Total Investment Income (Loss)	<u>231,137</u>	<u>1,744,297</u>	<u>1,975,434</u>
Net Assets Released from Restrictions	<u>419,174</u>	<u>(419,174)</u>	
Total Support, Revenue and Investment Income (Loss)	<u>1,387,426</u>	<u>1,335,123</u>	<u>2,722,549</u>
EXPENSES:			
Program Services	1,003,596		1,003,596
General Administration	108,397		108,397
Development	61,494		61,494
Total Expenses	<u>1,173,487</u>		<u>1,173,487</u>
CHANGE IN NET ASSETS	<u>213,939</u>	<u>1,335,123</u>	<u>1,549,062</u>
NET ASSETS--Beginning of Year	<u>6,614,813</u>	<u>7,911,292</u>	<u>14,526,105</u>
NET ASSETS--End of Year	<u>\$ 6,828,752</u>	<u>\$ 9,246,415</u>	<u>\$ 16,075,167</u>

The accompanying notes are an integral part of the financial statements.

June 30, 2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 489,805	\$ 51,570	\$ 541,375
3,450		3,450
3,184		3,184
1,983		1,983
2,175		2,175
93,729		93,729
<u>594,326</u>	<u>51,570</u>	<u>645,896</u>
25,005	135,101	160,106
27,155	205,627	232,782
(42,363)	(366,188)	(408,551)
<u>9,797</u>	<u>(25,460)</u>	<u>(15,663)</u>
<u>447,113</u>	<u>(447,113)</u>	
<u>1,051,236</u>	<u>(421,003)</u>	<u>630,233</u>
672,703		672,703
357,774		357,774
58,090		58,090
<u>1,088,567</u>		<u>1,088,567</u>
<u>(37,331)</u>	<u>(421,003)</u>	<u>(458,334)</u>
<u>6,652,144</u>	<u>8,332,295</u>	<u>14,984,439</u>
<u>\$ 6,614,813</u>	<u>\$ 7,911,292</u>	<u>\$ 14,526,105</u>

STATEMENTS OF FUNCTIONAL EXPENSES

FOREST HISTORY SOCIETY, INC.
Statement of Functional Expenses
For the Years Ended June 30, 2021 and 2020

	June 30, 2021			
	Program Services	General Administration	Development	Total
Salaries	\$ 436,964	\$ 28,435	\$ 34,905	\$ 500,304
Payroll Taxes and Benefits	141,326	13,096	13,731	168,153
Professional Fees and Services	147,045	20,612	974	168,631
Telephone and Utilities	24,151	1,087	1,437	26,675
Fellowships and Awards	25,769			25,769
Repairs and Maintenance	17,716	4,930	984	23,630
Dues and Subscriptions	18,046	1,368	650	20,064
Insurance	14,819	822	823	16,464
Interest on Debt	11,099	1,959		13,058
Supplies and Duplicating	3,504	3,955	3,343	10,802
Postage and Shipping	5,466	144	2,214	7,824
Printing and Graphics	5,695		1,239	6,934
Bank Charges	298	3,228	51	3,577
Travel and Entertainment	968	1,161	98	2,227
Equipment and Equipment Rental	1,000	1,009		2,009
Sundry	811	313	69	1,193
Bad Debt	24		976	1,000
Committees and Board		3		3
Advertising and Promotion				
Total Expenses before Depreciation	854,701	82,122	61,494	998,317
Depreciation	148,895	26,275		175,170
Total Expenses	\$ 1,003,596	\$ 108,397	\$ 61,494	\$ 1,173,487

The accompanying notes are an integral part of the financial statements.

June 30, 2020

Program Services		General Administration		Development		Total	
\$	430,536	\$	24,726	\$	31,216	\$	486,478
	149,984		12,353		13,584		175,921
	37,299		25,764		366		63,429
	4,477		22,185		582		27,244
	24,650		12,662				24,650
							12,662
	1,354		1,768		90		3,212
			13,483				13,483
			29,342				29,342
	2,712		6,353		705		9,770
	3,702		270		1,422		5,394
	4,779						4,779
	251		2,789		227		3,267
	8,281		5,322		9,167		22,770
	3,072		1,035		53		4,160
	724		281				1,005
	72				678		750
			7,173				7,173
	810						810
	672,703		165,506		58,090		896,299
			192,268				192,268
\$	<u>672,703</u>	\$	<u>357,774</u>	\$	<u>58,090</u>	\$	<u>1,088,567</u>

FOREST HISTORY SOCIETY, INC.
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,549,062	\$ (458,334)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	175,170	192,268
Gain on Disposal of Fixed Assets	(20,000)	
Realized Gain on Investments	(406,245)	(232,782)
Unrealized (Gain) Loss on Investments	(1,463,917)	408,551
Contributions Restricted for Long Term Purposes	(12,206)	(31,943)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(46,644)	98,816
Pledges Receivable	143,841	631,974
Inventory	(6,120)	2,694
Prepaid Expenses and Deposits	1,436	(1,872)
Accounts Payable	(81,013)	(199,617)
Accrued Expenses and Withholding	4,361	4,530
Deferred Revenue	(19,247)	(32,208)
Net Cash Provided (Used) by Operating Activities	<u>(181,522)</u>	<u>382,077</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	1,133,877	3,151,426
Purchase of Marketable Securities	(797,439)	(2,928,458)
Proceeds from Disposal of Fixed Assets	20,000	
Purchase of Building and Equipment	(24,569)	(83,286)
Net Cash Provided by Investing Activities	<u>331,869</u>	<u>139,682</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Restricted for Long Term Purposes	12,206	31,943
Net Proceeds (Payments) from Long-Term Debt Issuance	(256,472)	(631,758)
Net Cash Used by Financing Activities	<u>(244,266)</u>	<u>(599,815)</u>
NET DECREASE IN CASH	(93,919)	(78,056)
CASH--Beginning of Year	<u>706,301</u>	<u>784,357</u>
CASH--End of Year	<u>\$ 612,382</u>	<u>\$ 706,301</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Interest Paid	<u>\$ 13,058</u>	<u>\$ 29,342</u>
PPP Loan Forgiveness	<u>\$ 24,922</u>	<u>\$ 93,729</u>

The accompanying notes are an integral part of the financial statements.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies

A. Description of Organization:

The Forest History Society, Inc. (the "Society") is engaged in collecting, preserving and disseminating the history of forests and all forest-related activities. The Society solicits, receives and acquires gifts of money and other kinds of property to be used for educational and charitable purposes.

B. Basis of Accounting:

The Society prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles; consequently, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

C. Basis of Presentation:

Net assets and public support, revenues, and expenses are classified based on the existence or absence of externally-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions--Net assets that are not subject to externally imposed restrictions. Certain net assets classified as without donor restrictions may be designated for specific purposes or uses under various internal operating budgets or for board designated purposes.

Net Assets With Donor Restrictions--Net assets subject to externally-imposed restrictions that may or will be met either by actions of the Society and/or the passage of time.

The Society reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Society to expend the income generated by the assets in accordance with the provision of additional donor-imposed stipulations or a Board approved spending policy.

D. Investments:

Investments are carried at fair value. Fair values are based on readily available market quotes.

E. Cash:

For the purposes of the Statements of Cash Flows, the Society considers all bank deposits to be cash.

F. Accounts Receivable:

Accounts receivable consists primarily of reimbursements due for project expenses. The Society considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is made. As of the year ended June 30, 2021 and 2020 the Society had \$1,000 and \$750, respectively of bad debt expense.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies (Continued)

G. Contributions:

Contributions received are recorded as increases in without or with donor restrictions net assets, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

H. Pledges Receivable:

Unconditional promises to give are recognized as support and assets in the period the pledges are received and are carried at net realizable value if they are to be collected in one year and at fair value if they are expected to be collected in more than one year. Fair value is measured at the present value of the future cash flows. Contributions expected to be collected in more than one year are discounted. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All pledges are considered fully collectible.

I. Inventory:

Inventory is valued at cost and consists of books, DVDs, and journals.

J. Land, Building, and Equipment:

Land, building, and equipment are carried at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are 39 years for the building, 10 years for office equipment, and 5 years for computer equipment and software. The Society's policy is to capitalize property and equipment when acquired at a cost greater than \$1,000.

K. Collections:

Collections include books, articles, pictures, and other items related to forest history. The collection is categorized and maintained at the Society's office.

Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted or permanently restricted net assets if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statements of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statements of Activities based on the absence or existence and nature of donor-imposed restrictions.

L. Deferred Revenue:

Deferred revenue consists of contract revenue in which the services have not yet been provided.

M. Income Taxes Status:

The Society is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code; therefore, no income taxes are reflected in the financial statements.

As of June 30, 2021, the Society had no accrued interest or penalties related to uncertain tax positions.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2021 and 2020

1. Organization and Summary of Significant Accounting Policies (Concluded)

The Society has its previous three tax years open to examination by federal tax and state tax jurisdictions. The Society has not been informed by any tax authorities for any jurisdiction that any of its tax years are under examination as of June 30, 2021.

N. Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Functional Allocation:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, the identifiable costs have been allocated among the programs and supporting services benefited based on management's judgment.

P. Long-Lived Assets:

Long-lived assets, such as building and equipment, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

2. Pledges Receivable

Pledges receivable consists of the following:

	<u>Pledges Receivable</u>	<u>Carrying Value of Pledges Receivable</u>
<u>June 30, 2021:</u>		
Amounts due in:		
Less than one year	\$ 230,454	\$ 230,454
One to five years	3,300	3,235
	<u>\$ 233,754</u>	<u>\$ 233,689</u>
 <u>June 30, 2020:</u>		
Amounts due in:		
Less than one year	\$ 262,978	\$ 262,978
One to five years	116,850	114,552
	<u>\$ 379,828</u>	<u>\$ 377,530</u>

Pledges due in more than a year are reflected at the present value of estimated future cash flows using a discount rate of 2% at June 30, 2021 and 2020. All pledges are considered fully collectible and an allowance is not considered necessary.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2021 and 2020

3. Investments

Dividend and interest income for the years ended June 30, 2021 and 2020 was \$105,272 and \$160,106, respectively. Net realized and unrealized gains totaled \$1,870,162 for the year ended June 30, 2021 and net realized and unrealized losses totaled \$175,769 for the year ended June 30, 2020.

Investments are carried on the books at fair value at June 30, 2021 as follows:

	Carrying Value	Cost	Unrealized Gain
Alliance Bernstein:			
Fixed Income	\$ 2,386,891	\$ 2,379,596	\$ 7,295
Equities	5,712,950	4,275,209	1,437,741
Alternative Investments	963,739	826,323	137,416
Money Market Fund	308,279	308,279	
	<u>\$ 9,371,859</u>	<u>\$ 7,789,407</u>	<u>\$ 1,582,452</u>

Investments are carried on the books at fair value at June 30, 2020 as follows:

	Carrying Value	Cost	Unrealized Gain (Loss)
Alliance Bernstein:			
Fixed Income	\$ 1,993,731	\$ 1,917,584	\$ 76,147
Equities	4,410,989	4,303,548	107,441
Real Estate Securities	263,590	287,606	(24,016)
Alternative Investments	1,135,799	1,158,410	(22,611)
Money Market Fund	34,024	34,024	
	<u>\$ 7,838,133</u>	<u>\$ 7,701,172</u>	<u>\$ 136,961</u>

4. Disclosure About Fair Value of Financial Instruments

Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Society utilizes market data or assumptions that market participants would use in pricing the asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Alliance Bernstein investment has a dynamic asset allocation overlay investment that is considered a Level 2 as it does not trade publicly. The market price is determined internally by Alliance Bernstein using the most recent prices in sales of the same or similar assets.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2021 and 2020

4. Disclosure About Fair Value of Financial Instruments (Continued)

The following tables set forth the financial assets and liabilities as of June 30, 2021 and 2020 that were measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement:

	Balance at June 30, 2021	Fair Value Measurements Using		
		Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Alliance Bernstein Investments	\$ 9,371,859	\$ 9,371,859	\$ -	\$ -

	Balance at June 30, 2020	Fair Value Measurements Using		
		Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Alliance Bernstein Investments	\$ 7,838,133	\$ 5,893,906	\$ 1,944,227	\$ -

5. Endowment

The Society's endowment consists of 23 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield of appropriate market indexes while assuming a moderate level of risk. The Society expects its endowment funds, over time, to provide an average real rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

FOREST HISTORY SOCIETY, INC.
Notes to Financial Statements
June 30, 2021 and 2020

5. Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a current policy of appropriating for distribution up to 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long-term, the Society expects the current spending policy to allow its endowment to grow one to four percent annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the North Carolina State Prudent Management of Institutional Funds Act (SPMIFA) requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets without donor restrictions were \$0 and \$57,008 as of June 30, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the year and continued appropriation for certain programs. Both the deficiencies and the appropriations from accounts with deficiencies were considered by the Board of Directors in its evaluation and review of its responsibility under SPMIFA.

Interpretation of Relevant Law

The Board of Directors of the Forest History Society has interpreted SPMIFA as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Forest History Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted or unrestricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

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5. Endowment (Continued)

Endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ 121,345	\$ 9,106,270	\$ 9,227,615

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ (57,008)	\$ 7,748,867	\$ 7,691,859

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets--Beginning of year	\$ (57,008)	\$ 7,748,867	\$ 7,691,859
Investment return:			
Investment income	11,734	89,080	100,814
Net appreciation (realized and unrealized)	217,504	1,655,217	1,872,721
Total investment return	229,238	1,744,297	1,973,535
Contributions	—	—	—
Appropriation of endowment for expenditure	(50,885)	(386,894)	(437,779)
Endowment net assets--End of year	\$ 121,345	\$ 9,106,270	\$ 9,227,615

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets--Beginning of year	\$ (8,086)	\$ 8,117,613	\$ 8,109,527
Investment return:			
Investment income	18,118	135,101	153,219
Net depreciation (realized and unrealized)	(20,958)	(160,563)	(181,521)
Total investment return	(2,840)	(25,462)	(28,302)
Contributions	—	6,000	6,000
Appropriation of endowment for expenditure	(46,082)	(349,284)	(395,366)
Endowment net assets--End of year	\$ (57,008)	\$ 7,748,867	\$ 7,691,859

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6. Capital Assets

A summary of capital assets is as follows:

	Cost	Accumulated Depreciation	Net Book Value
<u>June 30, 2021:</u>			
Land	\$ 421,025	\$	\$ 421,025
Building and improvements	5,784,600	301,479	5,483,121
Furniture and fixtures	117,364	38,294	79,070
Computer equipment and software	168,071	105,265	62,806
	<u>\$ 6,491,060</u>	<u>\$ 445,038</u>	<u>\$ 6,046,022</u>
<u>June 30, 2020:</u>			
Land	\$ 421,025	\$	\$ 421,025
Building and improvements	5,760,033	153,315	5,606,718
Furniture and fixtures	117,364	27,532	89,832
Computer equipment and software	168,071	89,021	79,050
	<u>\$ 6,466,493</u>	<u>\$ 269,868</u>	<u>\$ 6,196,625</u>

7. Long-term Debt

The Society entered into a promissory note with Paragon Bank for construction on a new building in November 2017. The note allows for the Society to draw up to \$4,500,000 for construction. The note calls for payment of principal in November 2022 and quarterly interest payments at 3.7% starting in March 2018. The loan is secured by substantially all assets of the Society. As of June 30, 2021 and 2020, the Society loan has a balance of \$211,974 and \$444,475, respectively.

8. Retirement Plan

The Society participates in a defined contribution retirement plan administered by Teachers Insurance and Annuity Association-College Retirement Equities Fund. All full-time, permanent staff are eligible after one year of employment. Employees must contribute 5% to the plan and the Society contributes 10%. Contributions by the Society on behalf of employees were \$43,898 and \$45,798 for the years ended June 30, 2021 and 2020, respectively.

9. Concentration of Risk

The Society maintains deposit accounts at two local financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, the amounts that exceeded the FDIC limit were \$295,288 and \$424,049, respectively.

Investments held by the Society are held at one brokerage company. The investments are protected by SIPC (Securities Investors Protection Corporation) up to \$500,000. The broker has also obtained excess coverage from a commercial insurer that provides up to \$24,500,000 in additional coverage.

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10. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

	June 30	
	2021	2020
Subject to expenditure for specified purpose or period:		
Operations	\$ 140,145	\$ 162,425
Library	439,268	233,355
Service and outreach	94,485	53,688
Awards and fellowships	402,873	211,100
Education	122,582	73,828
Research and publications	963,680	426,851
Archives	585,780	265,794
Maintenance	22,564	9,213
Total subject to expenditure for specified purpose or period	2,771,377	1,436,254
Endowments subject to the Society's spending policy and appropriation:		
Undesignated	950,187	950,187
Library	796,960	796,960
Service and outreach	150,786	150,786
Research and publications	2,243,921	2,243,921
Archives	1,357,653	1,357,653
Awards and fellowships	750,004	750,004
Education	170,527	170,527
New facility endowment	55,000	55,000
Total endowments subject to the Society's spending policy and appropriation	6,475,038	6,475,038
Total net assets with donor restrictions	\$ 9,246,415	\$ 7,911,292

11. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	June 30	
	2021	2020
Operations	\$ 8,171	\$ 77,507
Library	58,449	52,336
Service and outreach	11,661	10,560
Awards and fellowships	54,802	49,584
Education	13,936	12,619
Research and publications	148,004	133,970
Archives	124,151	110,537
Total next assets released from restrictions	\$ 419,174	\$ 447,113

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12. Liquidity and Availability

The Society manages its liquid resources by focusing on fundraising efforts to ensure the Society has adequate contributions and grants to cover the programs that are being conducted.

The Society's financial assets as of June 30, 2021 and 2020 expected to be available within one year to meet the cash needs for general expenditures comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 612,382	\$ 706,301
Accounts Receivable	55,460	8,816
Pledges Receivable	230,454	262,978
Inventory	22,055	15,935
Investments	<u>9,371,859</u>	<u>7,838,133</u>
Financial assets available within one year	10,292,210	8,832,163
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	2,771,377	1,436,254
Investments held in perpetuity	<u>6,475,038</u>	<u>6,475,038</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,045,795</u>	<u>\$ 920,871</u>

13. Related Party Transactions

During the year ended June 30, 2021, the Society contracted with 4 board members and/or their employer to provide research services on a project. The total contracted amount was \$49,713 of which \$32,212 was paid during the year ended June 30, 2021.

14. COVID-19

As a result of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact contribution, program, and investment income of the Society going forward. The Society received a Paycheck Protection Program (PPP) loan of \$109,700 and a \$8,000 Economic Injury Disaster Loan (EIDL) advance in April 2020. The Society recorded loan forgiveness revenue as the PPP funds were spent on qualifying expenses. The Society spent \$24,922 and \$93,729 in qualifying expenses during the years ended June 30, 2021 and 2020, respectively, and recorded the equivalent amount of loan forgiveness as revenue in the respective years ended June 30, 2021 and 2020. The Society received full forgiveness of the loan on February 24, 2021 which included accrued interest of \$951.

15. Subsequent Events

Management of Forest History Society evaluated subsequent events through September 28, 2021, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed, except as described above.